

# PACE in North Carolina

## (Programs of All-inclusive Care for the Elderly)

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Presentation to the  
Joint Legislative Oversight Committee on  
Health and Human Services  
October 14, 2014



# What is PACE?

- A unique program originally developed by family members and laypersons seeking a better way to care for their frail, aging loved ones.
- An alternative to institutional care with *proven quality outcomes for participants and predictable costs for funders.*
- An integrated system of care for the frail elderly that is:
  - Community-based
  - Comprehensive
  - Capitated
  - Coordinated



# Who Does PACE Serve?

## Eligibility

- Living in a PACE service area
- 55 years of age or older
- Certified as needing skilled nursing home care, utilizing the individual state's methodology
- Able to live safely in the community with the services of the PACE program at the time of enrollment



# Who Does PACE Serve?

## ■ Characteristics

- 90% are dually eligible for both Medicare and Medicaid (93% in NC)
- Almost half have dementia as significant diagnosis
- Typical participant is 80 year old woman with 7 - 8 medical conditions who is limited in approximately three activities of daily living.



# Comprehensive Care for Seniors

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PACE provides the entire spectrum of health and long-term care services, **addressing medical, social, and environmental needs**, including:

- primary care
- rehab therapy
- meals
- caregiver respite
- home health care
- ***hospital, nursing home and hospice care when necessary***
- prescription drugs
- medical equipment
- dentistry, optometry, audiology
- podiatry

**All services are covered by capitated payment**

# Coordinated Care via Interdisciplinary Team

- Care is coordinated by an Interdisciplinary Team (IDT) that looks at each participant holistically. Team members include:
  - Primary Care Physician
  - Pharmacist
  - Social Workers
  - Nutritionist
  - Home Care Providers
  - Personal Care Aides
  - Physical, Occupational and Recreational Therapists
  - Drivers
  - Other disciplines as needed
- Continuous process of assessment, treatment planning, service provision and monitoring
- Focus on primary, secondary, tertiary prevention

# Community-Based Model

- Majority of the services are provided at the PACE center – health care, therapy, recreation, and social activities
- Certified Adult Day Health Center
- Transportation is provided
- Other services provided in the home
- Responsible for providing care 24 hours a day, 365 days a year



# Capitation and Pooled Financing

- Blended Medicare and Medicaid capitated monthly payment to program
- For Medicare purposes, PACE operates as a Medicare Advantage plan
- PACE programs are Medicare D providers (prescription drug coverage)
- Medicare capitation rate is adjusted for the frailty of the PACE enrollees
- ***PACE program bears all risk - no additional cost to the state***

*\*A small percentage of program revenue comes from private sources or enrollees paying privately*



# PACE : Financial highlights. . .

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- PACE is important part of continuum of care.
- Serves “dual eligibles” who are 5 times more expensive to serve than non-duals.
- PACE participants on Medicaid have a personal financial liability if income exceeds 100% of the poverty level.
- PACE receives fixed payment and is **fully at risk** for all care and services. No matter how much someone costs, wherever they are, PACE pays.

# PACE: Good for Participants

- PACE programs provide for the total needs of the participant, unencumbered by rigid government payment rules.
- Nationally, PACE has lowest industry rates for hospital readmissions and a 94% approval rating from participants.



# Milestones in PACE Development

**First Center**  
“On Lok” -  
established 1973  
in San Francisco  
Bay Area.  
*(1973-83: Extended  
services & developed  
finances of model)*



1973

**Demo.  
Project**  
of On Lok  
(DHHS)



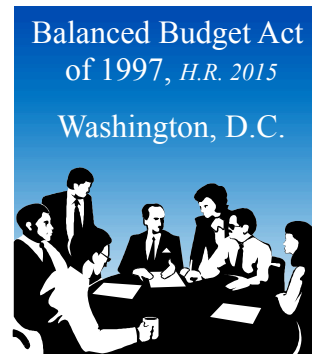
1983

**Legislation  
Authorizing  
PACE  
Demonstration:**  
**10 sites**  
(w/RWJF)



1986

**Congress  
Authorizes  
Permanent  
Provider  
Status**



1997

**First  
Program  
Achieves  
Permanent  
PACE  
Provider  
Status**



(Nov) 2001

**Final  
PACE  
Rule**



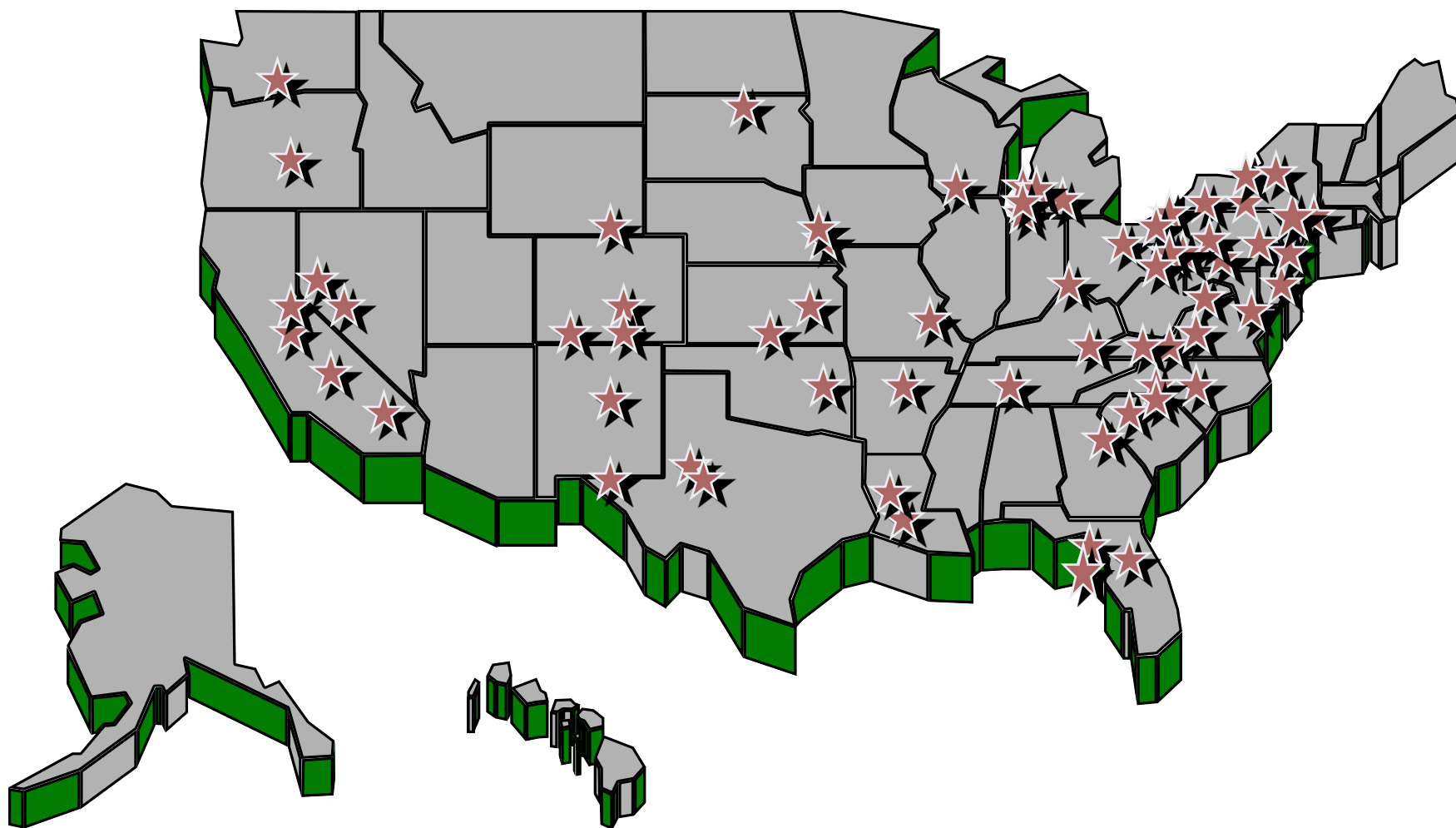
(Nov) 2006

# Growth in PACE Organizations

- **Nationally, PACE continues to expand**
  - 105 sponsoring PACE organizations in 31 states, serving approximately 32,000 participants,
  - 12 states planning to grow in 2014, including:
    - Texas, Oklahoma, New Jersey, Michigan, and Kansas,
    - Louisiana plans to expand PACE as a cost-savings measure, **under advice of Alvarez & Marsal.**

# PACE Programs Around the Nation

105 PACE programs in 31 states (10/1/2014)



# Milestones in NC PACE Development

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- 2007 – PACE approved as Medicaid program in NC
- 2008 – Elderhaus in Wilmington opens first NC PACE program
- Piedmont Health Services opens second program a few months later
- April 2011 – NC PACE Association is formed\*
- October 2014 – 9 programs are open in NC
- Over 1,100 North Carolinians receiving PACE care

\*Purpose: to provide advocacy, outreach, communication, training and education services for existing and forming PACE organizations

# PACE Programs in North Carolina

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- Nine currently operational – Wilmington, Fayetteville, Burlington, Greensboro, Lexington, Newton, Durham, Charlotte, Gastonia
- One has opened second site (Pittsboro)
- Two scheduled to become operational within 6 months (Asheville, Asheboro)
- Seven more “designated service areas” either approved by State or requested

# NC PACE Association Vision

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**Place every potential participant within 45 minutes of a PACE facility.**

- Piedmont and most urban areas have PACE facilities
  - 25% of eligible population have “access” but only 6% reached
- Considerable interest has been expressed in serving rural areas
- Alternative care sites being explored to reach rural areas and unserved urban pockets





# NC PACE Programs: CHALLENGES

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- Three-way partnership between federal (CMS), state (DMA) and the PACE entity
- The governments provide oversight and pay a fixed capitated rate for the care of most PACE participants, and. . .
- the PACE program *bears all the risk*

# Challenge: Getting started

- All PACE programs are not-for-profit entities, making an investment in the communities they serve.
- Programs incur significant start-up expenses (average \$3-\$5 million), with investment from private sources.
- Specific facility requirements necessitate new building construction or significant rehab of existing structures.
- Regulations require “ready to operate” with all staff, supplies and equipment before opening is allowed (at least a 120 day process).
- There is no revenue until participants begin to enroll.
- Start-up delays cost the program and its investors, not the state.  
Total time from initial planning to initial enrollment is up to 3 years.

# Challenge:

## Fluctuating Income/Budget predictability

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Just like state government, PACE programs need budget predictability:

- Must repay start-up debt
- Must reach “break-even” in timely fashion as predicted in business plan which is approved by the State and CMS
- Must build reserves to offset *full risk* incurred for care of frail elderly

As capitated full-risk program, PACE cannot just cut services to compensate for lost revenue or add on services to increase revenue as in a fee-for-service world.

# Other Challenges

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- Duplicative, sometimes contradictory, regulatory requirements and monitoring (both PACE and Adult Day Health Center)
- First-of-month enrollment restriction
- “Three-way” agreement with DMA and CMS
  - Timing – no response time limits on state
  - Layers of regulation (NJ, AL, and IA just utilize CMS regulations)
- Reaching remote, hard-to-serve rural areas





# Summary



# PACE: Insurance for North Carolina

- PACE primarily provides care to the “dual eligible” population which is the most costly and difficult to serve.
- PACE provides a fixed-cost alternative for a growing frail elderly population.



- PACE dollars are invested in facilities located in the communities they serve and staffed by professionals living in those communities.

# PACE: Insurance for North Carolina

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Capitated rate insures that Medicaid recipients enrolled in PACE cost the state NOTHING ELSE, no matter their illness and their needs. . .

- Hospitalizations or surgeries? PACE pays
- Skilled nursing care needed? PACE pays
- Dialysis? PACE pays
- Cancer treatments? PACE pays
- Mental health issues? PACE pays



# How is this possible?

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- Focus on prevention
- Treating the whole individual
  - Utilizing an interdisciplinary team (IDT)
  - Thinking outside the box
  - Freedom to do cost-effective interventions that aren't guided by FFS reimbursement rates
- Quality outcomes: low hospital readmission rates
- High participant satisfaction

# PACE and Medicaid Reform

- PACE is a win-win in any Medicaid reform scenario
  - Cost containment and budget predictability for the state
  - Quality care and home living for frail elderly
- Serves the growing number of “dual eligibles” who are 5 times more expensive to serve than non-duals.
- Medicaid managed care plans in NJ recognized this, and urged that state to keep and expand PACE statewide.
- By Federal regulations, PACE must be maintained as a direct enrollment option under any Medicaid managed care scenario.

# Thank You!! Questions??



# More Information

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